STATE OF ARKANSAS

PERFORMANCE BUDGETING
AND
ACCOUNTABILITY
SYSTEM

ACA §§ 19-4-601 et seq.
and
as amended by Act 1463 of 2003

AGENCY STRATEGIC PLAN
DEVELOPMENT GUIDE

DEPARTMENT OF FINANCE & ADMINISTRATION
OFFICE OF BUDGET

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STRATEGIC PLAN
DEVELOPMENT GUIDE

Introduction

Strategic Planning is a process of determining why an organization exists and setting out a plan for achieving that purpose. An agency develops a strategic plan by evaluating the current and anticipated operating environment, developing goals and quantifiable objectives, defining the programs and strategies to meet these goals and objectives and identifying the resources needed to carry out the plan. Strategic Planning is an important foundation of performance based budgeting and is a valuable tool for both the executive and legislative branches of government in the decision making process.

Before an agency can begin the strategic planning process, a statewide vision or mission must be established so that the agency's mission can be prepared in the context of that statewide mission. When instructions for preparing the strategic plans are issued you will find a vision statement for the State of Arkansas as well as the mission and goals of six functional areas through which that vision should be implemented. You should find the functional area your agency is a part of, along with the goals for that area. The statewide vision and the goals of the appropriate functional area for each agency must be considered during the strategic planning process.

Plans to meet agency goals should be defined in terms of programs. A **Program** is an aggregation of similar activities performed by an agency, not necessarily along organizational lines, which can logically be considered an entity for budgeting, accounting and reporting purposes and contribute to the common agency mission. Critical to the concept of a program is a program definition. Presentation of well-thought-out programs will be the most significant accomplishment of the strategic planning process. Consideration of objectives should become a part of the discussion in developing the plan since actual formulation of specific objectives will be necessary.

Strategic plans are an integral part of the Performance Budgeting and Accountability System (PBAS) established in ACA §19-4-605. A chart is included in the appendix illustrating the new PBAS process.

Strategic plans are to be submitted by each agency and constitutional agency other than elected constitutional officers and their staff offices and those Boards and Commissions listed in ACA §19-4-605(a)(2) as amended by Act 1463 of 2003. The strategic plans must be organized as follows:

⇒ An Agency Title Sheet (with signatures)
⇒ Strategic Plan Table of Contents
⇒ A Mission Statement for the Agency
⇒ A Listing of Agency Goals
⇒ An Identification and Definition of Agency Programs
⇒ A Statement of Program Authorizations
⇒ A Listing of Program Goals
⇒ Objectives under each Goal
⇒ Strategies to accomplish each Objective
⇒ Performance Measures for each Program (Phase I Agencies)

What comes first?…the Mission Statement

Agency Mission

The first step that should be completed is the preparation of the Agency Mission Statement. An **Agency Mission** is the reason for an agency's existence. It succinctly identifies what the agency does, and why and for whom. A mission reminds everyone -- the public, the Governor, legislators, the courts, and agency personnel – of the unique purposes promoted and served by the agency.

The mission of the agency identifies what the agency does, why it exists, and its unique contribution. Placed at the beginning of the agency's strategic plan, the mission provides the foundation for the rest of the plan.

When writing a mission statement, the following questions should be considered:

- ☞ *Why do we exist?*
- ☞ *What do we do?*
- ☞ *Who are our customers?*
- ☞ *Why do we do it?*
- ☞ *Why are public resources devoted to the effort?*

A mission identifies agency purposes, distilling from enabling statutes or constitutional provisions the most important reasons for an agency's work. In developing the mission, the agency should also examine other relevant sources (e.g., board policies, and program descriptions). **The mission should be no more than one paragraph in length and ideally it should be one sentence.**

Example
The mission of the Department of Environmental Quality is "To protect, enhance and restore the natural environment for the well-being of all Arkansans."

Mission Statement Litmus Test
Included in the Appendix is a Litmus Test form for the Mission Statement, which can be used to evaluate your Mission Statement. The Litmus Test form is not a required part of the plan but is intended to assist you with the preparation of your strategic plan.

Okay, We've prepared the Mission Statement Now What?..…Internal/External Assessment

Perform Internal/External Assessment

An essential step in the development of a strategic plan is to perform an internal/external assessment.

This process requires a situation inventory (internal assessment) and an environmental scan (external assessment) to be performed. The assessment process should result in a better understanding of the overall agency mission and the programs established to carry out the mission.

Internal Assessment

First an *internal assessment* or situation inventory, *which is an evaluation of an organization's position, performance, problems, and potential*, should be performed. An internal assessment identifies strengths and weaknesses and evaluates the capacity to respond. The following are types of questions that should be asked in that process:

⇒ **Who are the Agency/Program's customers/clients (**anyone receiving or using services or whose success or satisfaction depends on the actions of the Agency/Program), **other stakeholders** (those who do not necessarily use the Agency/Program services, e.g. Legislators), and **expectation groups** (those who expect a certain level of performance without actually receiving any benefit, e.g. accreditation organizations)? What do they need? What do they want?

⇒ **Where has the Agency/Program been?** What is the track record? What has been revised? What has been achieved? How well are customer needs being met? Has the agency/program increased in size? What positive or negative changes have occurred? Are the activities of the program legitimate?

⇒ **Where is the Agency/Program now?** What are the Agency/Program's current programs or activities? Does the current program structure work well? Are all authorized or mandated programs or activities currently being carried out? What does the Agency/Program do best? What area needs the most improvement? What is the current public perception of the Agency/Program? How was the perception determined? What benchmarks (best practices) can be used to compare to the quality and cost of other organizations? Are current programs or activities supportive of one another?

⇒ **What are the strengths and weaknesses?** Are needs and expectations changing? What boundaries or constraints exist? Does the Agency/Program have the ability and capacity to act and react? What are the strengths? What are the weaknesses? How can the Agency/Program build on its strengths and overcome its weaknesses.

The following is a list of **Internal Assessment (strengths and weaknesses)** that are representative of relevant or appropriate issues that may be helpful in the assessment process:

1. **Overview of Agency Scope and Functions**
   ➢ Enabling state and federal statutes, date created
   ➢ Historical perspective, significant events
   ➢ Customer/stakeholder expectations, public image
   ➢ Structure of programs and subprograms
   ➢ Agency accomplishments
   ➢ Examination of existing performance measures as the ideal gauge of success

2. **Organizational Aspects**
   ➢ Size/composition of work force (number of employees, minority composition, professional, technical, clerical, exempt, classified positions, etc.)
   ➢ Organizational structure and processes (divisions/departments, quality and management style, key management policies/operating characteristics)

- ➢ Location of agency main office, field offices, travel requirements, etc., and location of service/regulated populations.
- ➢ Human resources (training, experience, compensation/benefits, turnover rates, morale)
- ➢ Capital assets, capital improvement needs
- ➢ Information Technology (IT); degree of agency automation, telecommunications, quality of agency IT plans, data collection, tracking and monitoring systems, contribution of Information technology to efficiency
- ➢ Key organizational events and areas of change, impact on organization, agency responsiveness to change

3. Fiscal Aspects
- ➢ Size of budget (trends in appropriations and expenditures, significant events, etc.)
- ➢ Funds sources: general revenue, federal funds, cash funds, etc.)
- ➢ Comparison of operating costs with other jurisdictions and/or business sectors
- ➢ Relationship of budget to program/subprogram structure
- ➢ Degree to which budget meets current and expected needs
- ➢ Internal accounting procedures
- ➢ Activity standards

Some suggested data sources for internal assessments include:

- ➢ Quality Assessment Surveys
- ➢ Annual reports
- ➢ Employee surveys
- ➢ Annual progress review meetings
- ➢ Customer surveys
- ➢ Program evaluations
- ➢ Policy development files
- ➢ Agency audit recommendations
- ➢ Internal data bases
- ➢ Performance measurements
- ➢ Budget requests
- ➢ Internal plans

External Assessment

Second an **external assessment** or environmental scan should be performed. Typically "external" factors are ones over which the agency/program has no direct control. The following are types of questions that should be asked in that process:

⇒ **What is the current external environment?** What major current public issues affect the Agency/Program? Are these local, state, regional, national or global? Why are they critical? What other external environmental elements are currently affecting the Agency/Program? How? Which are the most crucial? Which are most likely to assist or complicate the activities of the Agency/Program? Which will affect the success of the agency/program?

$\Rightarrow$ **How may the environment differ in the future?** What are the biggest external threats and opportunities? What are the most likely scenarios for the future? Are current trends likely to continue or are changes expected?

$\Rightarrow$ **What are the areas of duplication of effort?** What other Agencies/Programs are performing the same or similar tasks? Are members of the private sector able to provide the same services more efficiently?

The following is a list of **External Assessment (Opportunities and Threats)** factors that are representative of relevant or appropriate issues that may be helpful in the assessment process:

1. **Demographics, focus on customers**
   ➢ Characteristics (age, education, geographic, special needs, impact on state's economic, political, cultural climate, etc.)
   ➢ Trends and their impact (population shifts, emerging demographic characteristics, etc.)

2. **Economic Variables**
   ➢ Unemployment rate, interest rate, etc.
   ➢ Extent to which customers and service populations are affected by economic conditions
   ➢ Expected future economic conditions and impact on agency, customers and service populations
   ➢ State fiscal forecast and revenue estimates
   ➢ Agency response to changing economic conditions

3. **Impact of "Other" Government Statutes and Regulations**
   ➢ Key legislation, key events, etc.
   ➢ Current government activities (identification of relevant government entities, relationship to State entities, impact on operations, etc.)
   ➢ Anticipated impact of future government actions on agency and its customers (agency specific federal mandates, court cases, federal budget, general mandates; i.e., Americans with Disabilities Act, etc.)

4. **Other Legal Issues**
   ➢ Impact of State statutory changes
   ➢ Impact of current and outstanding court cases
   ➢ Impact of local government requirements

5. **Technological Developments**
   ➢ Impact of technology on current agency operations (products/services in the marketplace, telecommunications, etc.)
   ➢ Impact of anticipated technological advances

6. **Public Policy Issues**
   ➢ Current events
   ➢ Juvenile crime, children, family issues

Some suggested data sources for an external assessment include:

- ➢ Federal and State government statistical reports and data bases
- ➢ Federal, state, and local government legislation, regulations, and executive orders or actions
- ➢ Federal, state, and local government budgets and policy statements
- ➢ Federal, state and local government special studies
- ➢ Court decisions and actions
- ➢ National and regional professional organizations or associations
- ➢ Interest or advocacy groups
- ➢ Media (both broadcast and print)
- ➢ University and college resource centers
- ➢ Agency advisory and governing boards
- ➢ Business sector journals or literature

Now…You should be ready to define the programs to achieve results

Program Definition

A *Program,* as defined by ACA §19-4-406(a)(22) *is an aggregation of similar activities performed by a state agency, not necessarily along organizational lines, which can logically be considered an entity for budgeting, accounting and reporting purposes and which contribute to the common goals.* Often a program is developed according to this definition in response to a specific legislative authorization. A program should involve related workload and activities along with related input and output resulting in specific outcomes. A program as defined herein, is the most fundamental part of the strategic plan and drives the magnitude of all the goals, objectives, strategies and measures that follow.

When the strategic plans are integrated in the biennial budget preparation module of the AASIS system, the agency cost coding structures will be profoundly important. As you establish your programs it is very important that you consider the impact they will have on the agency AASIS structures. A great deal of consideration should be given to this issue. In addition, agencies should plan to accommodate the "administrative functions" of the agencies as a separate "program" in the context of the strategic plan. . Tbe Legislatively approved strategic plans for the 2003-2007 cycle are on the website of the Bureau of Legislative Research as follows http://www.arkleg.state.ar.us/scripts/ablr/committees/pbb.asp These approved plans can serve as examples of program structure. Should you feel it necessary, the DFA – Office of Budget analysts can discuss these aspects of the strategic plan development with you. As the 2005-2009 plans are completed and submitted in the Agency Request and Executive Recommendation phases, they will be placed on the DFA – Office of Budget Website under Performance Based Budgeting.

A good program definition will meet the following criteria:

- ➢ Identify the overall purpose for the existence of the program as established in the Arkansas Code, Agency Regulations, Executive Orders, Federal Laws, Federal Regulations, etc.

- ➢ Identify the basic needs or distinct problems that the program is designed to address.
- ➢ Identify clients, customers or users (both internal and external) of a program.
- ➢ Help identify client, customer and stakeholder expectations, requirements, services and products provided to meet these requirements, and processes and resources used to satisfy the needs.
- ➢ Lead to the development of performance measures that reflect customer and stakeholder requirements.

Formulation of good program definition(s) can enhance an agency's ability to bring focus to its mission. Each program can then become the basis for deciding what resources are needed.

Almost there…… Agency Goals and Program Goals, Objectives, Strategies and Measures

By meeting the criteria for program definition, an agency should be able to keep the number of programs limited to those directly linked to the goals and objectives established in the strategic plan. A limited number of well-defined programs will enhance the decision making process and bring focus to the critical aspects of the organization. In a phrase**…"Keep it simple"!**

With your Agency Mission defined, the information you have gathered in the Internal/External Assessment process, and your Programs defined, the last phase of the process can begin with the development of agency and program goals, objectives, strategies and measures.

Agency and Program Goals

You are now ready to complete the Goals portion of the Agency/Program Strategic Plans. **A goal is a general statement of purpose that identifies broad desired results. Agency Goals** represent the strategic direction for the organization as a whole and, therefore, will be broad. Collectively, agency goals will clearly chart the direction of the agency and provide a unifying theme for programs and activities. **Program Goals** address both strategic direction and improvements associated with primary activities and will be more specific than agency goals.

Agency and Program Goals are the general ends toward which agencies and programs direct their efforts. A goal addresses issues by stating policy intention. In a strategic planning system, goals are ranked for priority. Goals stretch and challenge an agency and a program, but they are realistic and achievable.

The development of agency and program goals is one of the most critical aspects of the strategic planning process since goals chart the future direction of the agency or program. The goal development process begins to focus the agency's and program's actions toward clearly defined purposes. Within the scope of the stated mission and using the internal/external assessment, goals specify where the organization desires to be in the future. Goals are broad, issue-oriented statements that reflect the realistic priorities of the agency or program.

Goals should be client focused, address the primary internal and external issues facing the organization, and be easily understood by the public. Although there is no established limit, the number of goals the agency or program may develop should be kept to a reasonable number in order to establish direction and provide a unifying theme for programs and activities. They are shown in the strategic plan in approximate priority order, beginning with those of greatest importance and impact. During goal development of the performance-based budget process the agency or program should begin identifying the desired results of its efforts and the corresponding performance measures that will quantify accomplishment of those results. The agency should begin to think about such measures during goal development and set out the anticipated resources necessary to accomplish the goals of each program.

The formation of agency or program goals should include, but is not limited to, an analysis of the following questions:

☛ Are the goals in harmony with the agency's mission and will achievement of the goals fulfill or help fulfill the agency's mission?

☛ Are the goals derived from the internal/external assessment and do they reflect responses to identified factors?

☛ Do the goals provide a clear direction for agency or program action?

☛ Are the goals unrestricted by time? Do they reflect agency or program priorities?

Based directly on its goals, the agency's programs will specify expected accomplishments (objectives), actions (strategies) to achieve those objectives, and evaluation (measures) of the level of success of the program. The goal element of the strategic plan should be generally no more than two sentences in length per goal and should include the statutory citation(s), which provide authority for the goal. Agencies' Programs may include other appropriate goals even when statutory authorization is not provided, although these should be noted.

Agency or program goals should be developed by the agency or program and provided as indicated in the following example. Each program will develop specific goals applicable to that program.

Example

(1) We will improve air quality in Arkansas, especially in major urban areas where air pollution is the greatest. (Arkansas Code xx-xx-xxx)

(2) We will aggressively enforce all environmental standards and ensure swift, fair, and effective enforcement for violators of these standards. (Arkansas Code xx-xx-xxx)

(3) We will educate the general public and industry about the importance of preserving the environment through pollution prevention, recycling, and source reduction. (Arkansas Code xx-xx-xxx)

(4) We will respond effectively and efficiently to federal mandates while aggressively pursuing federal funding for Arkansas' environmental programs. (Arkansas Code xx-xx-xxx)

A goal can be evaluated by the following criteria:

- ➢ Goals will be in harmony with, and clarify, the agency mission.
- ➢ Goals that are achieved will fulfill, or contribute to fulfilling, the mission of the agency/program.
- ➢ Goals will address priorities and the results of the internal/external assessment and may be developed in response to strategic issues.
- ➢ Goals will tend to remain essentially unchanged, until there is a shift in the environment under which they were created, or, as in the case of a strategic issue, the desired outcome has been achieved.
- ➢ Goals will normally encompass a relatively long period. i.e. at least three years or more. Keep in mind that if an agency-wide goal can be accomplished in fewer than three years it may be an objective.
- ➢ Goals will address the gaps between the current and desired level of service.
- ➢ Goals will represent a desired result.
- ➢ Goals will chart a clear direction for the agency or program, but will not set specific milestones or strategies; objectives will do that.
- ➢ Goals will be within legislative authority
- ➢ Goals will be challenging, but realistic and achievable.

Remember that our strategic plans are for a five-year period. So your goals should represent the end results you hope to attain by the end of a five-year period from FY200 5 through FY200 9.

You should keep in mind as you develop your goals that ultimately there will need to be quantifiable performance measures that indicate where the agency or program is relative to the desired result defined by the goals and objectives. There is no certain number of goals required with the exception that there must be at least one (1) goal for each mission.

Included in the Appendix is a Litmus Test form for goals, which can be used to evaluate your goals as you develop them. This form is not required but is intended to assist you in the development of your strategic plan.

OBJECTIVES

Objectives are statements that specify desired results, which will lead to the accomplishment of the entity's goals. They mark quantifiable interim steps toward achieving an agency long-rang mission and goals. Linked directly to program goals, objectives are measurable, time-based statements of intent. They emphasize the results of actions at the end of a specific time period.

Objectives are tools that can provide incentives to improve employee motivation and productivity and inform citizens of how well an agency is meeting the needs of the public. The development of objectives aids decision-making and accountability by focusing on outcomes. A program's objectives are derived from the agency's goals. Objectives should be shown under each goal in approximate priority order, beginning with those of greatest importance and impact.

A program may have multiple objectives under a single goal. However, each stated goal should have

at least one objective. The data necessary to establish objectives and determine the feasibility of achieving realistic objectives should be provided by the agency's external/internal analysis. Objectives should be easily understood by the public and clearly state the specific results the agency seeks to

accomplish.

The following questions should be asked to determine the relevancy of the objective:

(1) Does meeting the objective demonstrate progress toward the stated goal?
(2) Does the objective clearly state what the agency intends to accomplish?
(3) Is the objective realistic and attainable? How does it compare with the objectives of other states?
(4) Does the objective describe an outcome in terms of specific targets and time frames?

In the budget development phase of the PBAS, the agency must be able to specify the cost for accomplishing an objective. Establishing the necessary cost coding structure in the AASIS budget preparation tool to accomplish this is critical and must be considered as the strategic plan is prepared.

STRATEGIES

Strategies are narratives setting out the steps to be taken to accomplish the entity's objectives. Formulated from goals and objectives, a strategy is the means for transforming inputs into outputs, and ultimately outcomes, with the best use of resources. A strategy reflects budgetary and other resources.

Strategies are specific courses of action that will be undertaken by the agency to accomplish its goals and objectives. While an objective indicates *what* the agency plans to achieve, a strategy indicates *how* the particular objective will be achieved. Strategies are action-oriented rather than procedural in nature and are directly linked to output measures.

To develop strategies, the agency determines how best to achieve the results intended by the specific objective. The determination should include benchmarking agency practices against those of other organizations. More than one strategy may be required to accomplish each objective. In selecting strategies, the costs, benefits, and anticipated consequences of alternative courses of action must be evaluated by the agency Questions to consider when developing strategies include, but are not limited to, the following:

(1) If this strategy (or strategies) is implemented, can we assume that the objective will be reached?
(2) What are the anticipated costs and benefits of each strategy?
(3) Do we have the authorization to take the action outlined in each strategy? Is it a legal and practical action?
(4) Does this strategy directly support the impact of any statewide benchmarks? If so, what is the nature and extent of such relationships? What measures, analyses, or other data document the relationships?

The public must easily understand strategies. They are shown in the strategic plan under each objective in approximate priority order, beginning with those of greatest importance and impact.

PERFORMANCE MEASURES

Performance Measures means a numerical set of indicators which, in the aggregate, are used to assist the Executive and Legislative Branch in evaluating the level of success of a state agency and its programs, and are categorized as effort measures, output measures, outcome measures and efficiency measures. Good performance measures are:

> ➤ Meaningful - significant and directly related to the Mission, Goals and Objectives.
> ➤ Responsibility-linked - matched to an organizational unit responsible for achieving the performance standard.
> ➤ Organizationally acceptable.
> ➤ Customer-focused and reflect the point of view of the customers and other stakeholders.
> ➤ Balanced – include several types of measures.
> ➤ Clear – can be easily understood by everyone.
> ➤ Simple but informative – easily calculated, presented and understood (charts, graphs, tables).
> ➤ Comparable – include internal/external comparisons, current/past performance comparisons, and other state/private sector comparisons.
> ➤ Creditable – based upon acceptable data collection and processing procedures.
> ➤ Compatible – integrated with existing financial and operational systems.

Types of performance measures to be used:

Effort Measures are numerical measurements reflecting a count of resources used in performing the entity's strategies. Also known as input measures. Effort measures provide additional information on the resources consumed in providing a service, actual (cost), or planned (budgeted).

> ➤ How many personnel are utilized in the program?
> ➤ What supplies and/or equipment are used?

Output Measures are numerical measurements reflecting a count of services produced in performing the entity's strategies.

> ➤ What services were delivered?
> ➤ What volume was produced?
> ➤ How many stakeholders or customers were served?
> ➤ How many units of services were provided?

Examples of output measures follow:

Program	Output Measure
Highway Resurfacing	Number of lane miles resurfaced
Health Immunization	Number of individuals immunized
Invoice Processing	Number of invoices paid
Social Services	Number of cases completed
Income Maintenance	Number of AFDC payments issued

Output measures are used to track performance of the agency in implementing its strategies and to

evaluate the efficiency of the implementation of the strategic plan. In developing and selecting key output measures, the following questions should be addressed:

(1) Is the measure reliable? Will it consistently measure the same thing and produce accurate and verifiable information over a period of time? Will the data used in the measure be available on a continuing basis?
(2) Is the measure directly related to the agency's objectives for the particular program?
(3) Does the measure show the quantity of work performed? Can the measure be stated in unit cost terms?
(4) Is the measure clear? Are the terms used generally accepted and defined? Will those who are not familiar with the subject matter easily understand the measure?

Output measures should be developed by the agency and provided as indicated in the example.

Example

(1) Implement EPA's post-1987 ozone policy and expand monitoring network to monitor progress
  ➢ Number of facilities inspected
  ➢ Number of on-site monitors
(2) Research, develop, and implement a comprehensive air toxic program
  ➢ Number of toxic sites undergoing emissions inventory during year

Outcome Measures are indicators of the actual impact or effect upon a stated condition or problem. They are tools to assess the effectiveness of an agency's performance and the public benefit derived from it. An outcome measure is typically expressed as a percentage, rate, or ratio.

Outcomes are the ultimate results, or impacts, of government action or policy. Comparing outcomes to objectives through the use of measures assesses progress. Outcome measures are expressed in a quantifiable form and indicate the degree to which an agency is achieving its objectives. An outcome measure should be directly related to the objective it is measuring; there should be at least one outcome measure for each objective. An outcome measure indicates the change or difference the agency's action will have on the particular target group or issue area indicated in the objective. It should be clear and easily understood by those who are unfamiliar with the agency. While outcome measures seek to record ultimate or final impact of agency actions, they may also reflect intermediary impacts. Outcome measures should be developed by the agency and provided in the strategic plan with performance projections for each year of the five-year period.

The following questions should be addressed as outcome measures are developed:

(1) Is the outcome measure relevant? Is it logically and directly related to the agency goal and objective?
(2) Is the outcome measurable reliable? Does it produce accurate and verifiable information over the time frame set by the objective?
(3) Is the outcome measure valid? Does it capture what the agency intends to measure?
(4) Is the measure of sufficient value to justify the cost of producing the necessary data? In case of excessive costs, could sampling techniques or other more cost-effective alternatives be used to

  collect the data?

(5) If the data are not currently available, can a proxy measure be substituted until a database is available?

(6) Will the outcome measure enable a decision to be made or lead to a valid conclusion concerning the agency's action?

(7) Is this measure subject to interstate or other comparisons? To the extent that it is, what additional information must be developed (e.g. explanatory measures) to properly interpret it?

Specific examples showing the differences between outcome measures and output measures include the following:

(1) The number of patients treated and discharged from a state mental hospital (output measure) is not the same as the percentage of discharged patients who are capable of living independently (outcome measure).

(2) The number of vaccinations given (output measure) is not an indicator of the incidence of the disease (outcome measure).

Example

(1) To reduce levels of pollutants are criteria to attain federal standards by 2000
(2) Percent of Arkansans living where the air meets ambient air quality standards
(3) Number of days in which air pollutants are within federal air quality standards
(4) To reduce air toxic emissions by 50 percent between 1999 and 2004
(5) Percent reduction of toxic chemical discharges into the environment from 1990 levels
(6) Percent of federal/EPA nonattainment area deadlines with which Arkansas has complied.

Efficiency Measures are indicators, which reflect the programs cost, unit cost or productivity, associated with a given outcome. Efficiency measures are generally expressed in unit costs, units of time, or other ratio-based units.

Efficiency measures are expressed in a numerical form and indicate an agency's operational efficiency as measured by a comparison of the cost, unit cost or time associated with producing a desired outcome or output. The following questions should be addressed in developing efficiency measures:

(1) Is the efficiency measure valid? Does it capture the information intended? Does it quantify significant efficiency aspects of agency operations?

(2) Is the efficiency measure reliable? Will it produce accurate and verifiable information over a period in time? Will the data used to calculate the measure be available on a continuing basis?

(3) Is the measure responsive? Will it reflect changes in levels of performance?

(4) Does the measure produce relevant information that will justify the cost of collecting and retaining the data?

(5) Are the terms used to describe the measure generally accepted and defined? Will those who are unfamiliar with the subject easily be able to understand the measure?

Efficiency measures should be developed by the agency and provided as indicated in the example.

Example

(1) Implement EPA's post-1987 ozone policy and expand monitoring network to monitor progress
  - ➢ Average number of days to complete facility inspection
  - ➢ Average cost per on-site monitor
(2) Research, develop, and implement a comprehensive air toxic program
  - ➢ Average number of days to complete toxic site emissions inventory
  - ➢ Average cost per toxic site emissions inventory

Act 1463 of 2003 which amends the Arkansas Performance Budgeting and Accountability System, also adds "key performance measures" which means those measures critical to the mission, effectiveness, and efficiency of a program selected by the Legislative Council. Only those measures identified as "key performance measures will be included in biennial appropriations acts of agencies and used as a basis for determining legislative intent in the appropriating of funds.

APPENDIX

STRATEGIC PLANNING TOOLS

MISSION STATEMENT LITMUS TEST

Mission: A brief comprehensive statement of the purpose of an agency or program.

For each agency or program, indicate if the mission statement meets the following criteria.

MISSION STATEMENT CHECKSHEET		
Agency:		
Mission Statement:		
Test Questions	**Yes**	**No**
Does it clearly state what we do?		
Is it broad enough that all staff in the organization can see how they contribute?		
Is the mission rarely changing?		
Can the mission survive changes in the administration?		
Is the rationale for the agency or program's existence clear?		
Does it articulate the ultimate outcomes you want?		
Will it make sense to average citizens if they see it on your wall?		
Does it answer who we are, what and for whom we do what we do and why it is important?		
Is it obvious why we spend public dollars on such an effort?		
Will we be embarrassed if we see it on the front page of the newspaper?		

GOALS LITMUS TEST

Goal: The general end purpose for which effort is directed.

For each agency or program, indicate if the goals meet the following criteria.

GOALS CHECKSHEET		
Agency:		
Program:		
Goal:		
Test Questions	**Yes**	**No**
Does the goal support the mission?		
Is it consistent with our legislative authority?		
Does the goal deal with just one issue?		
Does the goal represent a desired result that can be measured?		
Does the goal reflect a primary activity or strategic direction?		
Is the goal challenging, but still realistic and achievable?		
Does the goal encompass a relatively long period? i.e. three years or longer		
Is there at least one key goal for each program but not more than can be managed?		
Is the goal important to management?		
Is the goal important to policy makers and customers?		
Will someone unfamiliar with the program understand what the goal means?		
When taken collectively, will the goals reflect most of the program's budget?		

OBJECTIVES LITMUS TEST

Objectives: Specific and measurable targets for accomplishing goals.

For each goal, indicate if the objectives meet the following criteria.

OBJECTIVES CHECKSHEET		
Agency:		
Goal:		
Objective:		
Test Questions	**Yes**	**No**
Does the objective reflect specific, desired accomplishments?		
Can progress toward completion of an objective be measured?		
Is the objective aggressive and challenging, yet realistic and attainable within the planning period and available resources?		
Does the objective specify a result rather than an activity?		
Is there a specific time frame for completion of the objective?		
Have you identified who will be accountable for meeting the objective?		
Will completion of the objective lead to goal attainment?		
Is there at least one objective for each goal?		
Will someone unfamiliar with the budget unit (or program or subprogram) understand what the objective means?		

STRATEGIES LITMUS TEST

Strategies: Methods to achieve goals and objectives.

For each strategy, indicate how the particular objective will be achieved.

OBJECTIVES CHECKSHEET		
Agency:		
Objective:		
Strategy:		
Test Questions	**Yes**	**No**
Will this strategy cause the objective to be reached?		
Are there costs and benefits related to this strategy?		
Will this have a positive or negative impact on any other objective or strategy?		
Does the Agency/Program have the authority to take this action?		
Does the Agency/Program have the resources to implement this strategy?		
Is the Agency/Program organized to act?		
Is there a specific time frame for this strategy?		
Will this strategy make a fiscal impact?		
Is there at least one strategy for each objective?		
Will someone unfamiliar with the budget unit (or program or subprogram) understand what the strategy means?		

PERFORMANCE MEASURE SPECIFICATION SHEET

Program:
Objective:
Measure:

1. What is the type of measure? (Effort, Output, Outcome, Efficiency, more than one type)

2. What is the rationale of the measure? (Why was this measure selected?)

3. What is the source of the measure? (Examples: internal log or database, external database or publication) How reliable is the source?

4. What is the frequency and timing of collection or reporting? How old is it when reported? Is it reported on a state fiscal year, federal fiscal year, calendar year, school year, or other basis?

5. How is the measure calculated? Is this a standard calculation?

6. Does this measure contain jargon, acronyms, or unclear terms? If so, clarify them?

7. Is this measure an aggregate or disaggregate figure?

8. Who is responsible for data collection, analysis, and quality?

9. Does this measure have limitations or weaknesses (limited geographical coverage, lack of precision of timeliness, or high cost to collect or analyze)? If so explain. Does the source of the data have a bias or agenda?

10. How will the measure be used in management decision making and other agency processes?

GLOSSARY

Activities means distinct type of functions, processes or services carried out or provided as part of a program.

Appropriate interim committee means an interim committee of the General Assembly as selected by the Legislative Council.

Appropriation means a legal authorization to make expenditures for specific purposes within the amounts authorized in the appropriations act.

Benchmarking means the process of rating an organization's practices, processes, and products against the best and then emulating them.

Constitutional Agency means the Arkansas State Highway and Transportation Department and the Arkansas Game and Fish Commission.

Consultation means to deliberate and seek advice in an open and forthright manner with the full committee, a subcommittee thereof, the chair, or the staff as deemed appropriate by the chair of the respective committee or by law.

Customer means anyone who receives or uses the services of an organization or whose success or satisfaction depends upon the actions of an organization. Customers may be internal or external. Internal customers are units or persons in an organization whose work depends upon another unit or person within the organization. External customers are the end users of the organization's product or services.

Disincentive means a sanction, as set out in law, imposed due to not achieving performance.

Efficiency Measures means numerical indicators that reflect the programs cost, unit cost or productivity associated with a given outcome.

Effort Measures means numerical measurements reflecting a count of resources used in performing the entity's strategies.

Executive Department means the executive department of the State as set out in Article VI of the Constitution of the State of Arkansas of 1874, as amended and the agencies, boards, commissions, institutions and offices of the Executive Department.

External Assessment means an environmental scan or an analysis of key external elements that influence the environment in which the organization functions. Scanning provides an essential backdrop for strategic planning and policy development. An environmental scan looks at the current environment and, combined with foresight methodologies, anticipates changes in the future environment.

Fiscal Year means a period of time beginning July 1 and ending on the following June 30.

Foresight means explicit efforts to systematically identify, monitor, and analyze long-term trends and issues that are likely to affect an organizations future environment and to examine the implications those trends and issues may hold for the organization's future.

GLOSSARY

Goal means a general statement of purpose of the entity that identifies broad desired results.

Incentive means a mechanism, set out either as special language in a state agency's appropriation act or another act of the General Assembly, for recognizing the achievement of performance standards or for motivating performance that exceeds performance standards.

Internal Assessment means a situation inventory or an assessment of the organization's position, performance, problems and potential. It identifies strengths and weaknesses and evaluates the organizations capacity to respond to issues, problems and opportunities. It identifies customers and their needs and expectations. It also reveals the paradigms and values that comprise the organization's current philosophy and drive (or disrupt) current operations and throw light on administrative or managerial policies and procedures that help or inhibit quality.

Judicial Department means all state officers, state employees, and offices of the Supreme Court, Court of Appeals, circuit courts, and the Administrative Office of the Courts.

Key Performance Measures means those measures critical to the mission, effectiveness and efficiency of a program as selected by the Legislative Council.

Legislative Auditor means the Legislative Auditor of the Legislative Joint Auditing Committee.

Legislative Department means the legislative department of the State as set out in Article V of the Constitution of the State of Arkansas of 1874, as amended and its various officers, agencies, committees, and other units of the legislative department of the State.

Measures means a numerical set of indicators which, in the aggregate, are used to assist the Executive and Legislative Branch in evaluating the level of success of a state agency and its programs, and are categorized as effort measures, output measures, outcome measures and efficiency measures.

Mission means a concise statement of the organizational entity's purpose and reason for existence.

Objective means a statement that specifies desired results, which will lead to the accomplishment of the entity's goals.

Outcome Measures means indicators that measure the actual impact or effect upon a stated condition or problem utilizing the entity's strategies.

Organizational Development means to anticipate, plan and consciously design change rather than approach it in a crisis mode of operation. The emphasis is placed on the use of change agents, who collaborate with organization members to produce a self-directed change.

Output Measures means numerical measurements reflecting a count of services produced in performing the entity's strategies.

Performance-based appropriation means an appropriation incorporating performance measures and targets for the programs included in the regular operations appropriation act.

GLOSSARY

Program means an aggregation of similar activities performed by a state agency, not necessarily along organizational lines, which can logically be considered an entity for budgeting, accounting and reporting purposes and that contribute to common goals.

Regular Operations Appropriation Act means the authorization by an act of the General Assembly for each year of a biennial period, based upon budget requests presented to the Legislative Council and Joint Budget Committee or based upon legislative findings of the necessity for an authorization when no budget request was presented, for the expenditure of amounts of money by a state agency, institution, the judicial branch, and the legislative branch for stated purposes in the performance of the functions it is authorized by law to perform.

Special Language means a section or sections of text within an appropriation act that qualifies, restricts or clarifies the intent of a specific appropriation and which can be logically and directly related to the specific appropriation or appropriation subject.

State Agency means any official, officer, commission, board, authority, council, committee, or department of the Executive Department that receives an appropriation by the General Assembly, but excludes the Arkansas State Highway and Transportation Department, the Arkansas Game and Fish Commission, elected constitutional offices and the staff offices of the elected constitutional officers.

Strategic Plan means a comprehensive operational plan for a required period of time consisting of those elements required by law, by the Legislative Council and by the Governor.

Strategy means a narrative setting out the steps to be taken to accomplish the entity's objectives.

SWOT Assessments means (Strengths, Weaknesses, Opportunities, Threats) an assessment of the strengths and weaknesses inherent in an organization and the opportunities and threats that the organization may face.

Target means that level of the performance measure to which the program shall aspire and shall be held accountable for the period covered by the appropriation act.

Trend means a broad, historical direction in behavior, perceptions, and values.
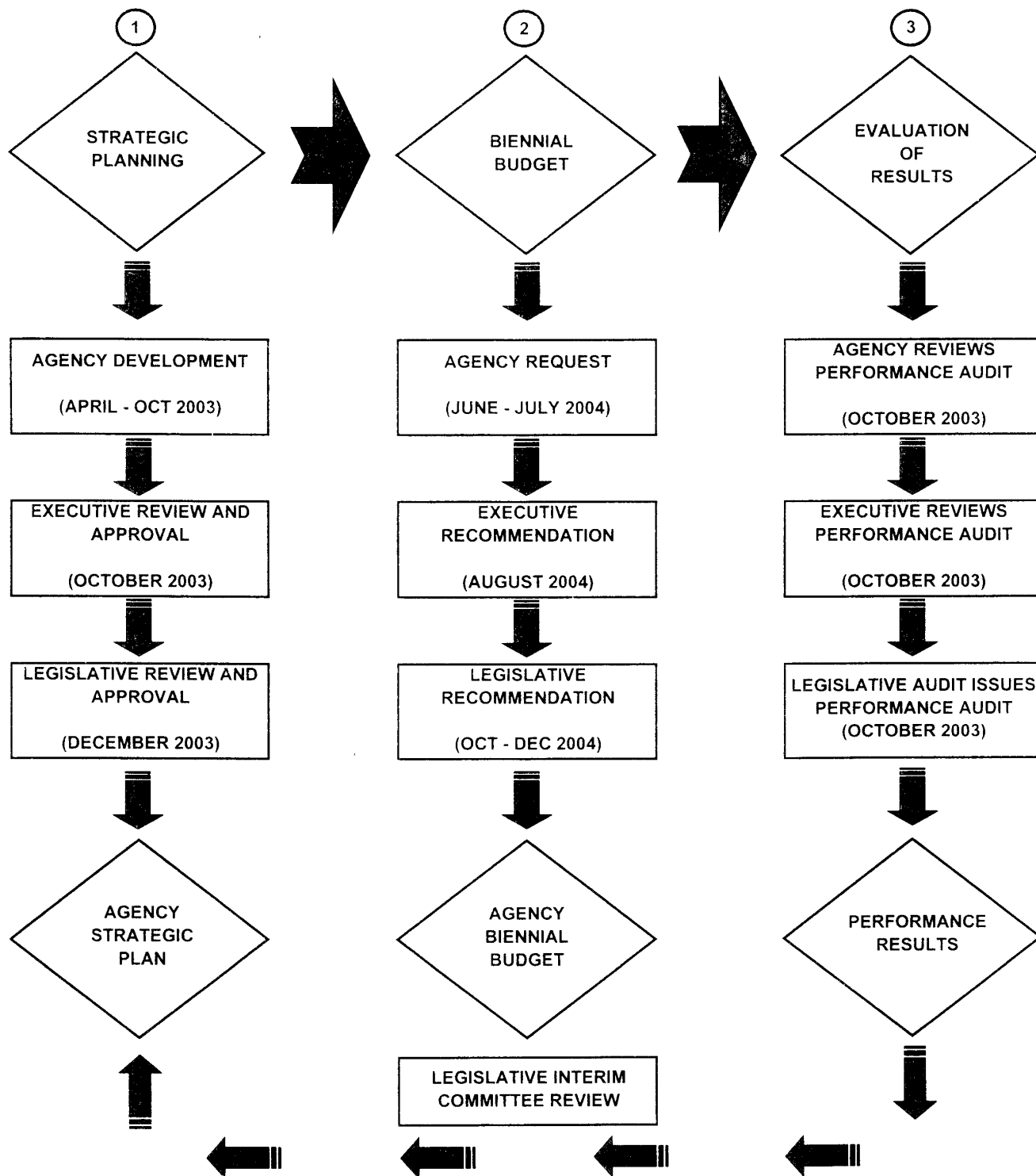
Trend Analysis means an anticipation or foresight method, which is often used in demographic, economic, technological, and social forecasting. Because it analyzes trends and attempts to project future developments; it is more statistically oriented than other foresight methods.

Vision means a compelling conceptual image of the desired future. A vision focuses on an idea about a future state of being in such a way as to excite and motivate an organization toward its attainment. It is the inspiration for all other components of the strategic planning process.

PERFORMANCE BUDGETING AND ACCOUNTABILITY SYSTEM (PBAS)

ACT 221 of 2001

BIENNIAL PROCESS

(1) STRATEGIC PLANNING → **(2)** BIENNIAL BUDGET → **(3)** EVALUATION OF RESULTS

STRATEGIC PLANNING	BIENNIAL BUDGET	EVALUATION OF RESULTS
AGENCY DEVELOPMENT (APRIL - OCT 2003)	AGENCY REQUEST (JUNE - JULY 2004)	AGENCY REVIEWS PERFORMANCE AUDIT (OCTOBER 2003)
EXECUTIVE REVIEW AND APPROVAL (OCTOBER 2003)	EXECUTIVE RECOMMENDATION (AUGUST 2004)	EXECUTIVE REVIEWS PERFORMANCE AUDIT (OCTOBER 2003)
LEGISLATIVE REVIEW AND APPROVAL (DECEMBER 2003)	LEGISLATIVE RECOMMENDATION (OCT - DEC 2004)	LEGISLATIVE AUDIT ISSUES PERFORMANCE AUDIT (OCTOBER 2003)
AGENCY STRATEGIC PLAN	AGENCY BIENNIAL BUDGET	PERFORMANCE RESULTS
	LEGISLATIVE INTERIM COMMITTEE REVIEW	

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